

Instructions for Preparing the WVDHHR Detailed Line Item Budget

Budget Worksheets

The West Virginia Department of Health and Human Resources (DHHR) requires that a detailed line item budget (budget) be prepared and approved for all grants and related agreements negotiated with the DHHR. The budget is the responsibility of the Grantee and shall be prepared in accordance with the procedures prescribed in these instructions as well as all applicable Federal and State rules and regulations.

Budget Narrative

In addition to a budget worksheet, all DHHR negotiated grant agreements must contain a detailed budget narrative explaining the need/use for each line item in the budget. The budget narrative submitted with the agreement must match the dollar amounts provided on the budget worksheets and include the calculations supporting the budgeted amount.

General Instructions

The Grantee must provide the relevant information for each line item and enter the total cost for the corresponding row onto the worksheet. The Total Cost column should represent only the DHHR grant funded portion (amount) of the applicable line item. Except for formulas or hourly wages, all amounts should be rounded to the nearest dollar. The worksheets will automatically calculate the totals for each cost category, which should be verified by the Grantee.

If the Grantee needs more space than is provided on the worksheets, they may include an addendum (prepared in the same format) and simply enter the total cost into the applicable cost category on the worksheet.

I. Direct Cost Categories

Federal rules and regulations define direct costs as those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of the organization. When preparing the budget, the Grantee should allocate all direct costs into one of the following seven (7) direct cost categories.

A. Personnel

Compensation for personnel costs includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the DHHR grant award, including but not necessarily limited to wages and salaries.

Position Column: For each employee's salary fully or partially charged to the grant, list the employee's name and/or job title.

Salary/Rate Column: For each position listed in the personnel category, provide either the employee's full annual salary or hourly wage. This column shows either the full annual salary (example: \$26,000) of the employee, or the hourly wage/rate (example: \$12.50/hr) of the

employee. If an hourly rate is used in the Salary/Rate column (example: \$12.50/hr), then enter the number of hours spent on the grant in the percent of time on grant column (example: 1040).

Percent of Time on Grant Column: For each position listed in the personnel category, provide either the percentage of time to be devoted to the program or projected hours to be spent on the program. An employee may not allocate more than 100% of their time on the grant, regardless of hours worked.

Narrative: Attach a position description outlining the responsibilities for each employee listed in the personnel budget category. If not included in the position description, provide a narrative detailing their relationship to the program.

B. Fringe Benefits

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits are to be specifically applicable to the employees listed in the personnel budget category and budgeted only for the percentage of time devoted to the program.

Component Column: List each component of fringe benefits budgeted to the grant award. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans.

Base Column: Provide the base salary amount to which fringe benefits rates are applied. (This amount may be less than the budgeted personnel costs when part time employees are included as part of that category.)

Rate Column: Show the percentage rate for each fringe benefit, when applicable.

- FICA costs cannot exceed 7.65 percent of total salaries.
- The premium for state unemployment insurance is based on the first \$12,000 of each position's salary times the organizations contribution rate as determined by the WV Bureau for Employment Programs. For more information on unemployment insurance, please visit: <http://workforcewv.org>
- For health insurance and retirement benefits, "carrier rate" may be used.

Narrative: Provided that all components of fringe benefits are listed individually in the corresponding worksheets, the Grantee is not required to submit a narrative for the fringe benefit category.

C. Equipment

Equipment is defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the Grantee for financial statement purposes, or \$5,000. An item that does not meet the capitalization level or that is "expensed" by the organization shall be budgeted in either the "Supplies" or "Other" categories as appropriate.

Item Column: List each item of equipment to be purchased with grant funds.

Item Cost Column: Provide the full cost of each item of equipment that is to be purchased.

DHHR % Column: If the item of equipment is to be only purchased in part with DHHR funds, list the percentage of DHHR participation in the final cost.

Narrative: The Grantee shall consult the DHHR regarding the purchase, prior approval, accounting for and administration of equipment. For all approved purchases, the narrative shall:

- List each piece of equipment to be purchased, and provide a description of how it will be used in the program.
- Explain why the equipment is necessary for successful completion of the project.

Note: General use equipment (i.e., vehicles, computers, faxes, etc.) must be used 100% for the proposed program if charged entirely to the grant.

D. Supplies

Supplies means all tangible personal property other than those described under line item C (Equipment). A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the Grantee for financial statement purposes or \$5,000, regardless of the length of its useful life.

Item Column: List each general classification of supplies (e.g., office supplies, postage, training materials) to be purchased with grant funds.

Number Column: Provide the number of each item type to be purchased. Nominal objects and general office supplies need not be broken down into separate items for budgeting but instead may be broken down into monthly or quarterly estimates (e.g., office supplies at \$150 month for 12 months = \$1,800).

Rate Column: For each item listed under supplies, list a corresponding rate or cost.

Narrative: If the total cost of supplies exceeds \$5,000 or 5% of the award, whichever is greater, provide a brief narrative explaining/justifying the costs associated with each individual item type (e.g., office supplies, postage and training materials). At a minimum, the narrative should:

- Explain the type of supplies to be purchased, or the nature of the expense.
- Provide a breakdown of supplies by quantity and cost per unit if known.
- Indicate basis for estimate of supplies (i.e., historical information).

If total costs do not meet or exceed the threshold provided, the Grantee is not required to submit a narrative for the supplies category.

E. Contractual Costs

Contractual costs include expenditures incurred for obtaining the services of contractors and/or awarding subgrants. (Grantees must contact the DHHR for prior approval and specific instructions regarding the subgranting of DHHR awards.)

Name: Provide the name of the contractor or the organization that will receive the subgrant, if known. Treat each contract or subgrant as a separate item.

Service: State the service(s) to be provided (or the type/purpose of the subgrant).

Rate: Provide the basis for the contractual costs (i.e. the total hours and hourly rate for the service / the estimated price for the project).

Narrative: List all contractual costs to be paid for with DHHR grant funds including a breakdown by contractor /subgrantee name (if known), hourly or daily fee, estimated time to be spent on the program, and an estimated total cost for each service/project.

- Describe the products or services to be obtained for each contract and indicate the applicability or necessity of each to the program.
- Provide a separate budget for each subgrant.

F. Construction

Construction consists of costs to support the initial building, large-scale modernization or permanent improvement of a facility. No construction costs should be budgeted without prior approval from the DHHR. (Specific guidance and instructions will be provided to the Grantee when necessary.)

G. Other

The “other” category includes items that are directly charged, yet not included in one of the above cost categories, including travel. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by Grantee employees who are in travel status on official business of the organization.

Item: List “other” items (e.g., telephone, rent, utilities, or insurance and bonding) by major type. For travel, provide the purpose or reason for the travel expense (e.g., mileage, training, conference).

Rate: Provide a rate/basis for the computation of each expense. Such costs may be budgeted on an actual cost, per diem or mileage basis, provided the method used is applied consistently within the Grantee organization.

Narrative: At a minimum, the narrative should:

- Provide a brief description of “other” item, its purpose, and an explanation of how it is necessary for or related to the program.

- Itemize all travel expenses by purpose (e.g., staff training, field interviews, conferences, etc.) and the basis of computation (e.g., X-people to X-day training at \$X airfare, \$X lodging, \$X per-diem).

Note: Consultant and contractor travel costs should be included in the “Contractual Costs” section.

II. Indirect Cost Category

When negotiating, awarding and monitoring grant awards, the DHHR must follow the guidance provided in 2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). With respect to indirect costs, the rates applicable thereto, and the approval and oversight of said rates, the DHHR looks mainly towards Section 200.331 (*Requirements for pass-through entities*) and Section 200.414 (*Indirect (F&A) costs*) of 2 CFR 200.

Indirect costs are costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. A cost may not be allocated to a grant as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a grant as a direct cost.

If charging indirect costs to the grant, the Grantee shall utilize an indirect cost rate that provides an equitable distribution of indirect expenses and must be prepared to substantiate the rate and the basis for the rate by providing the DHHR with one of the following three forms of documentation:

1. Indirect cost proposal and corresponding negotiated indirect cost rate agreement as issued or otherwise approved by a Federal cognizant agency for indirect costs.
2. Indirect cost proposal and corresponding indirect cost rate agreement (or similar script) as issued or otherwise approved by another State grant-awarding agency that has agreed to review the proposal and negotiate a rate.
3. Indirect cost proposal that includes the indirect cost rate; the distribution base; a signed certification as outlined within 2 CFR 200; and a written attestation (or other form of assurance) from an independent certified public accountant confirming that the proposal complies with, was prepared in accordance with and addresses all of the requirements of 2 CFR 200.

De Minimis Rate

- A grantee that has never received a negotiated indirect cost rate may elect to charge a de minimis rate of 10% of modified total direct costs as allowed per 2 CFR 200. “Modified total direct costs” means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). Modified total direct costs excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward and subcontract in excess of \$25,000.

- If the Grantee elects to utilize the de minimis rate, the Grantee must utilize the rate consistently for all Federal awards [and for all DHHR awards, regardless of whether said awards are funded with Federal dollars or State appropriated dollars] until such time as the Grantee chooses to negotiate for a rate.
- If the Grantee is a government agency that receives more than \$35 million of direct Federal funding, the Grantee must submit its indirect cost rate proposal to its cognizant agency for indirect costs and is thus not qualified to utilize the de minimis rate.

Note Regarding Options 1, 2 and 3: The grantee cannot use Options 1, 2 or 3 above unless the indirect cost proposal and related rate is [and remains] current, which means a new indirect cost proposal must be developed within six months after the close of each fiscal year.

Notes Regarding the De Minimis Rate: The 10% rate is a de minimis rate as defined and allowed per 2 CFR 200 (not a programmatic or DHHR-imposed “cap” of any sort). The 10% de minimis rate is based on 10% of *modified* total direct costs (not total direct costs).

H. Indirect Costs

Base: Identify the distribution base for calculating the indirect cost rate. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as contracts or subawards for \$25,000 or more), direct salaries and wages, or other base which results in an equitable distribution.

Rate: List the applicable indirect cost rate.

Amount: Provide the dollar amount of indirect costs charged to the award.

Narrative: . If charging indirect costs to this grant, the Grantee must provide a brief narrative to affirm that Grantee can substantiate the rate by providing the documentation referenced within Option 1, 2 or 3 above, if requested by the DHHR. If electing to use the de minimis rate, the Grantee must declare within the narrative that Grantee is electing to charge the de minimis rate of 10% of modified total direct costs, as allowed per 2 CFR 200.

III. Other Program Funds

- I. **Cost Sharing or Matching Funds:** Requirements for cost sharing and matching are unique to each program and are found in the laws, regulations and provisions specific to those relevant programs and agreements. If the DHHR grant award is subject to cost sharing or matching requirements, the Grantee shall provide the total amount of those funds in the “Cost Sharing or Matching” section (line item I) of the budget worksheet. In situations where the Grantee contributes funding to the program that is not a requirement of the grant award, the amount may be entered into the “Other Grantee Supplied Funds” section of the worksheets.

Narrative: Provide all relevant details related to the source (cash or in-kind) and applicability of cost sharing or matching funds.

- J. **Other Grantee Supplied Funds:** Other Grantee supplied funds are considered supplemental (not required by authorizing grant legislation) funds provided by the Grantee to operate the

program. Although not a requirement of the grant award, the Grantee may report an amount for other grantee supplied funds on Line J of the budget worksheet.

Narrative: The Grantee may provide any information deemed relevant to the review and approval of the Budget.

- K. Program Income:** Federal administrative requirements define program income as gross income earned by the Grantee that is directly generated by a supported activity or earned as a result of the grant award during the period of performance. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under grant awards, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and principal and interest on loans made with grant funds. Interest earned on advances of grant funds is not program income. Except as otherwise provided in statutes, regulations, or the terms and conditions of the grant award, program income does not include rebates, credits, discounts, and interest earned on any of them.

If the Grantee anticipates earning any program income resulting from DHHR grant funded activities, the Grantee must include the estimated/projected amounts in the appropriate section of the budget worksheets. For more details and instructions regarding the budgeting and administration of program income, the Grantee should contact the DHHR Spending Unit.

Narrative: Provide all relevant details related to the source and applicability of program income.

IV. Budget Summary

Once the line item budget has been completed:

- 1) Verify that the totals for each budget line item (A-H) are equal to the corresponding amounts contained in the Budget Summary form.
- 2) Verify the **Total Direct Costs** and **Total Indirect Costs**.
- 3) Verify the **Total Grant Award**.
- 4) If applicable, verify the amounts entered under line items I and J and the total for Grantee Supplied Funds.
- 5) If applicable, verify the projected program income.
- 6) An authorized Grantee representative shall sign and date the Budget Summary form.
- 7) Attach all addendums, required justifications and narratives for submission to the DHHR.